

Delivering on Commitments

Budget

2005



A New Deal for
Canada's
Communities

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

February 23, 2005

Canada 

Working Together for Strong Communities

Budget 2005 delivers long-term, stable and predictable funding as part of the Government of Canada's commitment to a New Deal for Cities and Communities. Under the New Deal, federal, provincial, territorial and municipal governments will work together with other stakeholders to develop long-term strategies for improving our communities.

The Government of Canada is doing its part. In combination with full rebate of the goods and services tax introduced last year, the measures announced in Budget 2005 will provide Canadian communities with more than \$9 billion in funding over the next five years.

Budget 2005—Delivering on Commitments

Budget 2005 delivers on the Government of Canada's New Deal for Cities and Communities commitment by:

- 1** Providing municipalities with a share of gas tax revenues
- 2** Renewing existing infrastructure programs as necessary
- 3** Increasing contributions to the Green Municipal Funds

1 Gas Tax Revenue Sharing

Over the next five years, the Government of Canada will provide \$5 billion to municipalities to support environmentally sustainable infrastructure projects such as public transit, water and wastewater treatment, community energy systems and the handling of solid waste.

Effective in 2005–06, Canada's cities and communities will receive a share of federal gas tax revenues worth \$600 million. This funding will increase until it reaches \$2 billion annually, equivalent to 5 cents per litre of gas tax revenues, by 2009–10. Specifically:

- 2005–06: \$600 million
- 2006–07: \$600 million
- 2007–08: \$800 million
- 2008–09: \$1 billion
- 2009–10: \$2 billion

Funding will be distributed to provinces, territories and First Nations on a per capita basis (see table below) once bilateral agreements are signed. These agreements will ensure that funds are received by municipalities promptly on a fair and transparent basis.

Province/Territory/ First Nations	Total Over Five Years
	(\$M)
Newfoundland and Labrador	82.3
Prince Edward Island	37.5
Nova Scotia	145.2
New Brunswick	116.1
Quebec	1,151.0
Ontario	1,865.5
Manitoba	167.3
Saskatchewan	147.7
Alberta	476.9
British Columbia	635.6
Yukon	37.5
Northwest Territories	37.5
Nunavut	37.5
First Nations	62.5
Total	\$5 billion

2 Renewing Existing Infrastructure Programs

In addition to gas tax revenue sharing, Budget 2005 commits to renewing the Canada Strategic Infrastructure Fund, the Municipal Rural Infrastructure Fund and the Border Infrastructure Fund. Further details on the extension of these programs will be announced in future budgets.

3 Green Municipal Funds

Budget 2005 more than doubles funding for the Green Municipal Funds with new funding of \$300 million. These funds, which are administered by the Federation of Canadian Municipalities, provide grants, low-interest loans and innovative financing to increase investment in infrastructure projects that deliver cleaner air, water and soil, and climate protection.

Examples of Federal Contributions to Infrastructure Projects

- Halifax Harbour cleanup:
\$60 million
- Upgrade of Montréal's metro system:
\$103 million
- Modernizing and expanding Toronto's transit system:
\$350 million
- Twinning Trans-Canada Highway routes in Saskatchewan:
\$77 million
- Improving Canada-U.S. border crossings in British Columbia:
\$90 million
- Corridors for Canada highway infrastructure development in the Northwest Territories:
\$65 million

A Voice at the National Table

The Government is consistently seeking new ways to involve Canada's municipal governments in the decision-making process on national issues that directly affect their interests.

The proposed new Department of Infrastructure and Communities will be the Government of Canada's primary contact for municipal issues. In addition, the Minister of Finance has formally met with municipal decision-makers as part of his pre-budget consultations and is committed to do so again for future budgets.

The Government will continue to seek further opportunities for dialogue with municipal leaders, while respecting provincial and territorial jurisdiction.

Building on Previous Commitments

The first steps in delivering on the New Deal came in Budget 2004. At that time, the Government committed to:

- Provide municipalities with a 100-per-cent rebate of the goods and services tax and the federal portion of the harmonized sales tax. This will provide municipalities with \$7 billion in funding over 10 years.
- Accelerate spending under the Municipal Rural Infrastructure Fund so that the \$1 billion in funding is spent over 5 years, rather than 10.



The Government of Canada has provided more than \$12 billion in infrastructure program funding since the mid-1990s, which is expected to leverage more than \$30 billion in total infrastructure investment.

How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech
and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855

Fax: (613) 996-0518

E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Delivering on Commitments

Budget

2005



Achieving
a Productive
and Sustainable
Economy

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

February 23, 2005

Canada 

Canada's Remarkable Economic and Fiscal Success

Since eliminating the deficit in 1997, the Government has taken a balanced approach to reducing debt, reducing taxes, and investing in social and economic priorities.

This balanced approach is working. Canada stands out among the Group of Seven (G-7) major industrialized countries with:

- The best job creation record—more than 3 million new jobs.
- The fastest-growing living standards.
- Low and stable inflation and interest rates.

With the Government of Canada's seven consecutive surpluses, the federal debt has been reduced by more than \$61 billion. Canada has moved from having the second worst debt-to-GDP ratio in the G-7 to having the best. The Government's strong fiscal position and lower debt burden have meant more resources for building a better country rather than paying creditors.

Budget 2005—Delivering on Commitments

The Government of Canada has presented an ambitious agenda and clear commitments to Canadians. Budget 2005 delivers on the Government of Canada's commitments in the following areas:

- 1 Investing in people
- 2 Investing in ideas and enabling technologies
- 3 Investing in regions and sectors

- 4 Maintaining a fair and competitive tax system
- 5 Making markets more efficient and effective

No single budget can accomplish every goal at once. That is why Budget 2005 measures have been designed to build on actions taken in previous budgets, while setting the stage for further improvements as the Government can afford them.

1 Investing in People

As baby boomers prepare to retire in large numbers during the coming years, it is clear that the number of working Canadians will decline in proportion to the population as a whole. This means that, to secure future growth in living standards, Canada must have a highly skilled and adaptable labour force that can respond to and drive the economy of tomorrow.

This challenge demands new approaches to strengthening opportunities for learning and skills at all stages of life. Budget 2005 makes several key investments aimed at meeting this challenge:

- \$5 billion over five years to build the framework for a new shared Early Learning and Child Care initiative in collaboration with the provinces and territories.
- \$120 million over five years to improve the Special Education Program for First Nations children on reserve.

- \$398 million over five years to make services more responsive to the needs of immigrants, and enhance settlement and integration programs to help newcomers to Canada become fully contributing members of the workforce more quickly.

- \$125 million over the next three years to move forward on a Workplace Skills Strategy to help workers keep pace with changing requirements.

- \$30 million over three years to enhance the capacity of the National Literacy Secretariat to foster awareness of literacy issues and to promote learning in the workplace.

2 Investing in Ideas and Enabling Technologies

Research is crucial to improving our environment, advancing our health care system and making Canadian firms more productive and competitive. That is why the Government of Canada will continue to do its part—along with universities and the private sector—to promote research and new technologies.

Budget 2005 provides \$810 million in strategic investments in ideas and enabling technologies over the next five years. These include:

- \$375 million over five years for the three federal granting councils—the Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council of Canada, and the Social Sciences and Humanities Research Council of Canada.

- Increasing funding to universities and research hospitals for the indirect costs of federally sponsored research, bringing the total to \$260 million per year from \$245 million starting in 2005–06.
- \$125 million over five years for world-leading particle physics research at the Tri-University Meson Facility (TRIUMF) science facility in British Columbia.
- \$30 million for the Canadian Academies of Science to provide independent expert assessments of the science underlying key issues.
- \$165 million for Genome Canada in support of breakthrough genomics research.
- \$20 million for Precarn, which specializes in advanced robotics and artificial intelligence.

These initiatives build on the \$11 billion added by the Government of Canada in university-based research since 1998.

3 Investing in Regions and Sectors

The Government of Canada is committed to strengthening its support for regional and sectoral development to ensure that all of Canada's regions and economic sectors can contribute to—and benefit from—economic growth and rising living standards.

Budget 2005 delivers on this commitment through investments totalling \$1.2 billion in regional development initiatives in all parts of Canada. This includes:

- \$800 million for regional economic development agencies in Atlantic Canada, Western Canada, Quebec and Northern Ontario.
- \$120 million for the Northern Strategy to help Canada's three territories promote economic development.
- \$55 million over the next five years for Community Futures Organizations, which provide loans to small businesses in every province and territory of Canada.

Budget 2005 also increases funding to key sectors of Canada's economy, such as agriculture and energy.

4 Maintaining a Fair and Competitive Tax System

Budget 2005 will reduce taxes for all taxpayers—especially those with low and modest incomes. It will also maintain Canada's corporate tax advantage relative to the United States. Once the measures in Budget 2005 are fully in place:

- Taxpayers will no longer pay any federal tax on income up to \$10,000 (see box below).
- Registered retirement savings plan and registered pension plan limits will increase to \$22,000 to support savings and investment.
- The corporate surtax, originally introduced to help fight the federal deficit, will be eliminated.
- The general corporate income tax rate will be reduced to 19 per cent from 21 per cent.

Increasing the Basic Personal Amount

Currently, individuals can earn up to about \$8,000 without paying federal personal income tax. Income above that level is subject to federal tax.

In 2009, the amount that individuals can earn tax-free will increase to at least \$10,000.

This measure will provide tax relief for all taxpayers—worth about \$7.1 billion over the next five years.

Most of the benefit will go to those with low and modest incomes. For example, this measure will move 860,000 low-income taxpayers from the rolls, including about 240,000 seniors.

Legislation to implement these measures will be introduced at the earliest opportunity.

Making Markets More Efficient and Effective

The Government of Canada is committed to creating a more favourable climate for business investment—not only by reducing taxes but also through more efficient regulation.

Budget 2005 delivers on this commitment through various regulatory reforms and related measures that will help stimulate economic growth. These include:

- Terminating the 30-per-cent foreign property tax on pension investments effective immediately.

- Launching a review of legislation governing Canada's financial institutions to improve consumer protection and promote greater efficiency.

- Increasing deposit insurance coverage to \$100,000 from \$60,000 to better protect consumers.

- Reducing overlap and duplication between federal agencies that regulate Canada's financial sector.

The Government of Canada will also work with the provinces and territories to improve securities regulation.

How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5
Phone: (613) 995-2855
Fax: (613) 996-0518
E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Delivering on Commitments

Budget

2005



Overview

February 23, 2005

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

Canada 

An Ambitious Agenda

The Government of Canada has presented an ambitious agenda and a clear commitment to Canadians in the following areas:

- 1** Maintaining sound financial management
- 2** Securing our social foundations
- 3** Achieving a productive and growing economy
- 4** Moving towards a green economy and sustainable communities
- 5** Meeting our global responsibilities

In Budget 2005, the Government is delivering on all of these commitments

1 Maintaining Sound Financial Management

Economic Outlook

Robust consumer spending, fuelled by low interest rates and stable inflation, led to solid economic growth in the first three quarters of 2004. This, in turn, helped boost employment levels and wages in Canada. Indeed, the Canadian economy created 255,000 full-time jobs in 2004.

Private sector economic forecasters surveyed by the Department of Finance predict that Canada's economy will grow by 2.9 per cent in 2005, rising to 3.1 per cent in 2006.

However, Canada's economy faces a number of challenges:

- The continued rise of the Canadian dollar against the U.S. dollar is already affecting our export industries.
- The growing American budget deficit could lead to higher U.S. interest rates, which could dampen consumer and business spending in Canada's largest trading partner.

Fiscal Prospects

Since balancing the budget in 1997–98, the Government of Canada has recorded seven consecutive budget surpluses.

Budget 2005 delivers on the Government's commitment to keeping its books balanced and Canada's debt on a permanent downward track. Specifically:

- It predicts balanced budgets or better in 2004–05 and in each of the next five fiscal years.
 - Canada's debt-to-GDP (gross domestic product) ratio is expected to decline to 38.8 per cent in 2004–05, down from 68.4 per cent in 1995–96.
 - The Government remains committed to reducing Canada's debt-to-GDP ratio to 25 per cent by 2014–15.
-

Expenditure Review

Budget 2005 incorporates the nearly \$11 billion in savings identified by the Government's Expenditure Review Committee.

- Nearly \$9.8 billion of these savings—or 89 per cent—will come from improved efficiencies in government-wide activities such as purchasing, property management and service delivery, and in the operations of individual departments.
- Efficiency savings in the employment insurance program and the operations of the Canada Pension Plan will be reallocated directly back into these programs.
- All other savings will be reallocated to the Government's highest priorities.

2 Securing Our Social Foundations

Recent Government of Canada commitments of over \$75 billion in support of the 10-Year Plan to Strengthen Health Care and the new framework for Equalization and Territorial Formula Financing will provide provinces and territories with predictable and growing long-term support for the provision of health care and social services.

Budget 2005 takes further action to secure Canada's social foundations through a variety of measures.

Health Care

Budget 2005 provides \$805 million over five years in direct federal health investments, including:

- \$300 million over five years for an integrated strategy to encourage healthy living and prevent and control chronic diseases.
- \$200 million to support health human resources and improve wait times and health performance information.
- \$170 million over five years to implement measures to enhance the safety and effectiveness of drugs and other therapeutic products.

Investing in People

The Government of Canada aims to ensure that all individuals have the chance to succeed, achieve their potential and participate fully in the promise of Canadian society. Budget 2005 supports these goals through a number of initiatives, including: ' '

- A commitment of \$5 billion for a new Early Learning and Child Care initiative.
 - Enhanced tax relief for people with disabilities and their caregivers.
 - Increasing Guaranteed Income Supplement benefits for low-income seniors by \$2.7 billion over five years.
 - \$735 million in new funding to strengthen Aboriginal communities, with a focus on children, youth and their families.
 - \$398 million for immigration settlement programs and client services.
-

3 Achieving a Productive and Growing Economy

Budget 2005 proposes measures aimed at building on Canada's economic strengths and ensuring that our economy remains globally competitive.

Budget 2005 proposes the following tax reductions:

- Increase the amount of income that all Canadians can earn tax-free to \$10,000.
- Increase contribution limits for registered retirement savings plans and registered pension plans to \$22,000.
- Eliminate the corporate surtax and cut the general corporate income tax rate to 19 from 21 per cent to maintain Canada's business tax advantage over the U.S.

Budget 2005 also commits the Government to:

- Eliminate the 30-per-cent foreign property limit on pension investments, effective immediately.
- Increase deposit insurance coverage to \$100,000.
- Launch a review of legislation governing Canada's financial institutions to improve consumer protection and promote greater efficiency.

4 Moving Towards a Green Economy and Sustainable Communities

A Green Economy

Budget 2005 delivers on the Government's commitment to address climate change and protect our natural environment by investing:

- \$1 billion over five years to encourage cost-effective initiatives that will reduce greenhouse gas emissions in Canada under a new Clean Fund.
- \$225 million over five years to quadruple the number of homes retrofitted under the EnerGuide for Houses Retrofit Incentive program.
- \$300 million over five years in production incentives for wind power and other renewable sources of energy.
- Almost \$900 million over five years to protect our natural environment, including the Great Lakes, Canada's oceans and national parks.

In addition, the budget includes tax incentives to encourage greater investment in and reliance on renewable energy sources.

Delivering a New Deal for Communities

Budget 2005 implements the Government's commitment to share \$5 billion in federal gas tax revenues with communities across Canada over the next five years for investments in sustainable infrastructure.

For 2005–06, communities will receive approximately \$600 million. This annual amount will increase to \$2 billion in 2009–10.

As well, the Government has committed to renewing existing infrastructure programs as required.

The Government will also provide an additional \$300 million for the Green Municipal Funds in support of projects that deliver cleaner air, water and soil, as well as climate protection, to Canada's communities. Half of these funds will be dedicated to brownfield remediation.

5 Meeting Our Global Responsibilities

Budget 2005 includes a wide range of initiatives, including:

- \$425 million to support the immediate humanitarian response to the Asian tsunami disaster and long-term reconstruction.
- Boosting international assistance by \$3.4 billion over the next five years with the goal of doubling assistance from 2001–02 levels by 2010–11.
- \$1 billion to further strengthen Canada's national security.

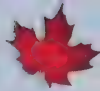
Defence

Last October, the Government pledged to increase the size of Canada's Armed Forces by 5,000 permanent members, along with 3,000 additional reservists.

Budget 2005 delivers on this commitment while providing funding that goes far beyond it: \$12.8 billion over five years (on a cash basis), the largest increase in defence spending in 20 years.

This increased funding will be used to improve training and address the Forces' operational readiness.

The additional funding will also be used to purchase new medium-capacity helicopters, trucks, utility aircraft and specialized facilities for Canada's elite anti-terrorist troops.



How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech
and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855

Fax: (613) 996-0518

E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Delivering on Commitments

Budget

2005



Meeting Our Global
Responsibilities

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

February 23, 2005

Canada 

An Active Role in Global Affairs

As a nation of people from every part of the globe, Canadians have a keen sense of the world beyond their borders. They want their country to play an active and influential role in global affairs. That is why the Government made a commitment to strengthen Canada's contribution to peace, prosperity and security in the world.

Budget 2005—Delivering on Commitments

Budget 2005 delivers on this commitment by providing the resources needed to meet our global responsibilities and to seize our global opportunities.

Specifically, this budget:

- 1** Increases international assistance by \$3.4 billion over the next five years, moving towards a doubling of its 2001–02 level by 2010–11.
- 2** Provides \$342 million to address the serious health issues afflicting Africa and over \$200 million in new debt relief for the world's poorest nations.
- 3** Introduces a new approach to managing international assistance so that money will go where it will do the most good.
- 4** Provides the largest increase in defence spending in 20 years—more than \$12.8 billion over the next five years.
- 5** Supports key national security initiatives through \$1 billion in additional funding.

1 Doubling International Assistance

Canada supports the United Nations Millennium Development Goals, an ambitious agenda to cut global poverty in half by 2015. In 2002–03, the Government began working toward its commitment to double international assistance by 2010–11.

Budget 2005 takes a significant step forward, providing an extra \$3.4 billion in international assistance over the next five years.

2 Increasing Support for Africa

Canada will strengthen its long-established support for Africa in its struggle to overcome the challenges of poverty and disease. By 2008–09, aid to Africa will double from its 2003–04 level. Budget 2005 also announces a number of initiatives designed to help Africa achieve greater health and prosperity.

Increased Debt Relief

To continue Canada's long-standing support of international debt relief for the world's poorest nations, Budget 2005 allocates \$172 million from the International Assistance Envelope over the next five years to cover Canada's share of debt-service costs to the International Development Association of the World Bank and the African Development Fund.

Budget 2005 also provides an additional \$34 million in support of the Heavily Indebted Poor Countries Initiative, an international debt relief program that has provided significant benefits to poor, mostly African, nations.

Global Health Funding

Budget 2005 strengthens Canada's leadership in responding to global health challenges by announcing \$342 million in additional funding to address the world's most serious communicable diseases—diseases that affect children most of all. This comprises:

- \$140 million for the Global Fund to Fight AIDS, Tuberculosis and Malaria.
- \$160 million for the Global Alliance for Vaccines and Immunization.
- \$42 million for the Global Polio Eradication Initiative, with the goal of eradicating polio worldwide in 2005.

3 Better Management of Canada's International Assistance

In addition to increases in international assistance and investments in global health, Budget 2005 introduces a new approach to better administer Canada's international assistance by allocating it into five distinct pools:

- Development
- International financial institutions
- Peace and security
- Crisis
- Development research

This new system of international assistance will be more transparent, will provide for greater budget predictability, and will provide greater flexibility to respond to unforeseen events.

4 Strengthening National Defence

Budget 2005 introduces the largest increase in defence spending in 20 years, worth more than \$12.8 billion in cash terms over five years.

This substantial increase in funding, which goes far beyond commitments made last year, will allow National Defence to better meet increasingly complex international challenges.

Examples of recent challenges for the military in Canada and abroad include:

- Canada's efforts in the war on terrorism and in re-establishing peace and security in Afghanistan and Haiti.
- Vital engineering, medical and basic support and relief to tsunami victims in Sri Lanka.
- Responses to domestic emergencies and disasters, such as Hurricane Juan in Halifax and forest fires in British Columbia.

These recent missions and other contributions to international security have placed considerable demands on Canadian Forces personnel and resources. As the world changes, the role of the military must continue to change with it.

Over a five-year period, funding provided in Budget 2005 includes:

- \$3 billion to expand the Canadian Forces by 5,000 and the reserves by 3,000, delivering on the commitment in last year's Speech from the Throne.
- \$3.2 billion to strengthen military operations by improving training and operational readiness, enhancing military medical care, addressing critical supplies and repairs shortages, and repairing infrastructure.

- \$2.7 billion on a cash basis to acquire and operate new medium-capacity helicopters, trucks, utility aircraft and specialized facilities for Canada's elite anti-terrorism unit, JTF2.
- \$3.8 billion on a cash basis for further projects to support the objectives established for Canada's military in the upcoming International Policy Statement.

5 Reinforcing Canadian Security

Budget 2005 builds on the efforts of the past three budgets to address terrorist threats and improve the security of Canadians while ensuring the safe movement of people and goods across borders.

This budget provides an additional \$1 billion towards the implementation of the National Security Policy announced in April 2004. This funding will support investments in security at diplomatic missions abroad, emergency planning and response, transportation and border security, and Canada's efforts to combat organized crime.

Air Travellers Security Charge

To fund the enhanced air travel security system, the Government established the Air Travellers Security Charge and pledged to review the charge to ensure revenue remains in line with costs over a five-year period.

Budget 2005 announces the third consecutive reduction to the charge since it was introduced.



The following reductions are proposed for tickets purchased on or after March 1, 2005:

- **For air travel within Canada:** to \$5 from \$6 for one-way travel and to \$10 from \$12 for round-trip travel.
- **For transborder (i.e., Canada–U.S.) air travel:** to \$8.50 from \$10.
- **For other international travel:** to \$17 from \$20.

Marine Security

Building on past investments and the National Security Policy, Budget 2005 provides an additional \$222 million over five years to further enhance the security of the country's marine transportation system. Funding initiatives include new mid-shore patrol vessels for the Great Lakes and St. Lawrence Seaway, additional regulatory inspections, the creation of Emergency Response Teams for the Great Lakes and the St. Lawrence Seaway, and an increased police presence in ports.

Border Security

Canada will take further steps to secure the Canada–U.S. border without impeding the legitimate flow of goods and people. Budget 2005 provides \$433 million over five years to further strengthen the capacity of the Government to deliver secure and efficient border services.

International Policy Statement

As indicated in the Speech from the Throne, Canada will strengthen and better coordinate its international policy. Over the past year, the Government has engaged in the first review of international policy in over a decade. The International Policy Statement, which will be issued shortly, will focus on three international policy priorities:

- **Security:** Protecting Canadians in a world challenged by increasingly complex threats.
- **Prosperity:** Ensuring our competitiveness in North America and taking advantage of new opportunities abroad.
- **Global citizenship:** Reflecting Canadians' desire to make a difference in the world.

Subsequent budgets will build on the foundation provided by the International Policy Statement.

How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech
and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855

Fax: (613) 996-0518

E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Delivering on Commitments

Budget

2005



Moving Towards a
Green Economy

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

February 23, 2005

Canada 

A Better Environment—A Stronger Economy

The Government of Canada believes that a healthy and sustainable environment is an integral part of economic growth. Since balancing the budget in 1997–98, the Government has allocated more than \$10 billion to enhance the quality of our land, air and water by addressing climate change, cleaning up contaminated sites, developing and enforcing environmental protection laws, and investing in environmental technologies.

Budget 2005 builds on these substantial measures taken over the last few years to improve the environment and address climate change. It takes significant new steps forward on a number of different fronts.

Budget 2005—Delivering on Commitments

Budget 2005 delivers on the Government's commitment to a green economy with a \$5-billion package of measures over the next five years to support a sustainable environment by:

- 1** Addressing climate change by promoting reductions in greenhouse gas (GHG) emissions and encouraging the development of environmental technologies.
- 2** Building on existing tax measures to encourage Canadian businesses to invest more in efficient and renewable energy generation.

- 3 Investing in public infrastructure to encourage more efficient use of energy as well as the remediation of brownfield sites.
- 4 Protecting our natural environment, including the Great Lakes, oceans and national parks.

1 Addressing Climate Change

This budget makes significant investments aimed at reducing GHG emissions, and developing science and technology that will help build the framework for a comprehensive and sustainable response to the challenge of climate change.

Specifically, this budget provides:

- \$1 billion over five years for the Clean Fund to encourage cost-effective projects and actions that reduce greenhouse gas emissions.
- \$250 million to create a Partnership Fund for projects that are best achieved through cooperation between the federal government, and provinces and territories.
- \$225 million over five years to quadruple the number of homes retrofitted under the EnerGuide for Houses Retrofit Incentive program (see box).
- \$200 million over five years to help develop a Sustainable Energy Science and Technology Strategy.
- \$200 million over five years to further stimulate the use of wind power through the Wind Power Production Incentive.

■ \$97 million over five years for a new Renewable Power Production Incentive to encourage the use of other renewable energy technologies such as small hydro, biomass and landfill gas.

These initiatives will allow individuals, industry and governments to play an active role in addressing climate change.

While helping curb Canada's GHG emissions, the initiatives will promote Canadian technologies and innovation while opening the door to new economic opportunities.

The EnerGuide for Houses Program

The EnerGuide for Houses program is designed to help homeowners reduce their energy consumption. The program offers grants for people who improve the energy rating of their houses, based on a simple, 100-point scoring system called the EnerGuide.

So far, grants average \$630 per home in addition to an average of 27 per cent savings on home energy bills every year.

On a \$2,400-per-year energy bill, this translates into more than \$600 in savings.

2 Environmental Tax Measures

The tax system has encouraged investment by businesses in efficient and renewable energy generation equipment through an accelerated 30 per cent capital cost allowance rate.

Efficient Renewable Energy Generation Equipment

The capital cost allowance (CCA) system determines how much of the cost of a capital asset a business may deduct in a particular year.

In order to encourage the generation of more environmentally friendly forms of energy, the Government provides an accelerated capital cost allowance for certain equipment that produces energy efficiently or from renewable sources.

The list of eligible equipment includes, among others: cogeneration equipment, wind turbines, small hydroelectric facilities, and geothermal energy systems.

Budget 2005 enhances this support by:

- Increasing the CCA rate to 50 per cent from 30 per cent for environmentally friendly forms of energy.
- Extending this incentive to include district energy and biogas production systems.

Enhanced incentives in this area will contribute to reduced GHG emissions, better air quality and a more diverse energy supply.

The Government will consult on other opportunities to use the tax system to further environmental objectives.

3 Investing in Public Infrastructure

Budget 2005 targets a series of infrastructure-related investments to achieve better environmental outcomes through two complementary streams:

Sustainable Environment

■ \$300 million for the Green Municipal Funds, \$150 million of which will be used to help communities clean up and redevelop brownfields, which are abandoned sites where environmental contamination exists.

Sustainable Communities

- The equivalent of \$5 billion over five years out of federal gas tax revenues to municipalities for infrastructure projects like transit, water and community energy systems.
- The renewal of infrastructure programs such as the Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund, which invest more than 50 per cent of funding toward sustainable infrastructure.

4 Protecting Our Natural Environment

Canadians are proud of the beauty and quality of their natural environment and want to protect this rich inheritance of land, water and biodiversity.

Budget 2005 delivers on this commitment to the environment by providing:

- \$209 million over five years to improve public infrastructure in Canada's national parks.
- \$60 million over five years to restore the ecological integrity of our national parks.
- \$85 million over five years to minimize the risk of invasive alien species such as the sea lamprey in the Great Lakes.
- \$40 million over five years to improve the ecological integrity of the Great Lakes ecosystem.
- \$28 million over two years to help develop a competitive and sustainable Oceans Action Plan.
- \$15 million annually to discourage foreign overfishing in the Northwest Atlantic.
- An additional \$90 million over five years to conduct health risk assessments and research to reduce Canadians' exposure to toxic substances.

Guiding Principles for Long-Term Progress

The following principles guide the Government of Canada's decisions in allocating funds for various environmental and climate change measures:

Balance: Investments must balance the need for short-term action to protect our natural environment and long-term measures to spur change in public behaviour and business practices.

Competitiveness: Environmentally sustainable economic growth is essential to Canada's long-term international competitiveness, but the transition to a more sustainable economy must also weigh carefully the impact on the country's short-term competitiveness.

Partnership: To the greatest extent possible, investments should lever funds outside the Government of Canada and encourage responses from industry, citizens and other levels of government.

Innovation: Investments should promote innovation and support new technologies that feed economic growth, create new opportunities and provide long-term improvements.

Cost-effectiveness: Initiatives should achieve environmental benefits at the lowest possible cost.

Allocation of Proceeds From the Sale of the Government's Petro-Canada Shares

The Government of Canada is delivering on its commitment to dedicate \$1 billion of the proceeds from the sale of Petro-Canada shares directly to investments to support the development and deployment of environmental technologies over the next five years.

Sustainable Development Technology Canada	\$200 million
Wind Power Production Incentive	\$200 million
Renewable Power Production Incentive (over six years)	\$170 million
Sustainable Energy Science and Technology Strategy	\$200 million
Clean Fund	\$230 million
Total	\$1 billion



How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech
and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855

Fax: (613) 996-0518

E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

Delivering on Commitments

Budget

2005



Securing Our Social Foundations

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign

February 23, 2005

Canada 

Building on Solid Foundations

Canadians believe that all individuals should have the chance to succeed, achieve their potential and participate fully in the promise of Canadian society.

Recent new federal commitments of more than \$75 billion in support of the 10-Year Plan to Strengthen Health Care and the new framework for Equalization and Territorial Formula Financing (see box) provide predictable and growing federal funding for social programs that reflect these values.

These investments also establish a solid base for the Government's commitment to strengthen and secure Canada's social foundations.

Budget 2005—Delivering on Commitments

Budget 2005 delivers on this commitment through significant investments in:

- 1** Health care
- 2** Early learning and child care
- 3** Support for seniors
- 4** Aboriginal communities
- 5** A fairer tax system, including measures to help people with disabilities and caregivers
- 6** Heritage and sport
- 7** Strengthening Canada's justice framework

Fall 2004—Major Investments in Support of Health and Social Priorities

In September 2004, First Ministers signed a 10-Year Plan to Strengthen Health Care. The Prime Minister committed \$41.3 billion over 10 years in support of the plan, fully meeting the financial recommendations of the Royal Commission on the Future of Health Care in Canada (the Romanow Report).

An additional \$700 million over five years for Aboriginal health programs and \$150 million for health care services in the North was also announced.

In October, the Government of Canada also launched a new framework for Equalization and Territorial Formula Financing that will add an additional \$33 billion in federal support over the next 10 years.

These initiatives provide additional financial support to provinces and territories to ensure that all Canadians have access to reasonably comparable public services at reasonably comparable rates of taxation no matter where they live.

Legislation implementing these commitments has already been tabled in the House of Commons.

1 Health Care

Budget 2005 builds on the investments outlined above with \$805 million over five years in new direct federal health funding:

- \$75 million over five years to accelerate and expand the assessment and integration of internationally educated health care professionals.
- \$15 million over four years for wait times initiatives that will build on and complement provincial and territorial initiatives.

- \$110 million over five years to improve the data collection and reporting of health performance information.
- \$300 million over five years for an integrated strategy to encourage healthy living, and prevent and control chronic disease.
- \$34 million over five years to enhance Canada's pandemic influenza preparedness.
- \$170 million over five years to help ensure the safety and effectiveness of drugs and other therapeutic products.
- \$10.7 million in 2004–05 for the Hepatitis C Prevention, Support and Research Program.
- \$90 million over five years for Health Canada to accelerate work to identify and research toxic substances under the Canadian Environmental Protection Act.

2 Early Learning and Child Care

High-quality child care and early learning opportunities are essential to support children's physical, emotional, social, linguistic and intellectual development, and to set them on a path of lifelong achievement.

The Government of Canada's commitment to a new Early Learning and Child Care initiative recognizes the important role that early learning and child care play in expanding opportunity and building a more productive economy.

Budget 2005 follows through on this commitment with new investments of \$5 billion over five years to help build the foundations of an Early Learning and Child Care initiative across the country.

3 Seniors

Budget 2005 delivers on the Government's commitment to meet the evolving needs of seniors by:

- Increasing Guaranteed Income Supplement (GIS) benefits for low-income seniors by \$2.7 billion over five years: monthly benefits will rise by \$36 for singles and \$58 for couples by January 2007 (see examples below).
- More than doubling the funding for the New Horizons for Seniors program, which will be increased from \$10 million to \$25 million a year to promote voluntary sector activities by and in support of seniors.

Examples—Guaranteed Income Supplement Increase

Gerald is a widowed senior who currently receives maximum GIS benefits of \$560 per month, in addition to his Old Age Security (OAS) pension, for total monthly benefits of \$1,032. By 2007, his monthly benefits will rise to at least \$1,068.¹

Serge and Nadine are married seniors who currently receive combined GIS benefits of \$730 and total GIS and OAS benefits of \$1,674 per month. As a result of the 2005 budget changes, their total monthly benefits will rise to at least \$1,732¹ by 2007, assuming no change in their other income.

¹ GIS and OAS benefits also increase in line with the inflation rate, as measured by the Consumer Price Index.

4 Strengthening Aboriginal Communities

The Government of Canada is committed to a renewed partnership with Aboriginal people. While awaiting the completion of the Canada–Aboriginal Peoples Roundtable process, Budget 2005 provides \$735 million in new investments aimed at ensuring that the country's prosperity is shared by Canada's Aboriginal people and communities. This is in addition to the \$700 million over five years for Aboriginal health programs announced in September 2004. Budget 2005 measures include:

- \$295 million over five years for housing construction and renovation on reserves.
- \$100 million over the next five years to enhance early learning and child care opportunities for First Nations children and families living on reserves.
- An additional \$120 million over five years for special education for First Nations children living on reserves.
- \$125 million over five years to support the work of First Nations child and family service agencies.
- \$40 million so that the Aboriginal Healing Foundation can continue, for another two years, to support community-based healing projects that address the legacy of physical and sexual abuse in the Indian residential school system.

5 Tax Changes to Improve Fairness

A fair tax system recognizes the special circumstances of certain taxpayers and helps remove barriers to their full participation in the economy and society.

Budget 2005 makes the tax system fairer by acting on the recommendations of the Technical Advisory Committee on Tax Measures for Persons with Disabilities. Proposed measures include:

- Extending eligibility for the disability tax credit (DTC) to individuals who face multiple restrictions that together have a substantial impact on their everyday lives.
- Extending the DTC to more individuals requiring extensive life-sustaining therapy on an ongoing basis.
- Increasing the maximum annual Child Disability Benefit to \$2,000 per child.
- Expanding the list of expenses eligible for the disability supports deduction and the medical expense tax credit.

In addition, this budget proposes to double, to \$10,000, the maximum amount of medical and disability-related expenses that caregivers can claim on behalf of their dependants.

Budget 2005 also proposes to introduce a new tax credit to recognize specified adoption expenses (including adoption agency and legal fees), up to a maximum of \$10,000.

6 Supporting Canada's Heritage

Budget 2005 makes additional investments in the following areas:

Support for Culture and History

- \$172 million per year in new funding to provide stability for the Tomorrow Starts Today arts and culture initiative for another five years.
- \$25 million over five years to enhance the Multiculturalism Program.
- \$50 million over five years to the Celebrate Canada program for community-based events and activities that offer Canadians the opportunity to share their pride in their country.
- \$46 million over the next five years to continue implementation of a national register of historic places, conservation standards and a certification process in respect of restoration expenditures.
- \$30 million over five years for future commemorative activities so that the contributions of Canada's veterans will never be forgotten.
- \$15 million over the next two years to support Vancouver's hosting of the 2006 World Urban Forum.
- \$56 million over the next five years for the implementation of "A Canada for All: Canada's Action Plan against Racism."
- \$25 million over the next three years for commemorative and educational initiatives to highlight the contribution that ethnocultural groups have made to Canadian society and help build a better understanding among all Canadians.

Sport

Funding for Sport Canada will effectively double from \$70 million to \$140 million as a result of new investments announced in Budget 2005:

- \$65 million annually in support of Canada's elite athletes—including funding to respond to the recommendations of the Own the Podium report.
- \$5 million per year over the next five years for sport participation initiatives.

The budget also provides an additional \$87 million in funding for the Vancouver–Whistler Olympic and Paralympic Winter Games.

7 The Justice Framework

Budget 2005 contains measures aimed at protecting Canadians from crime and increasing their confidence in the justice system. These include:

- \$90 million over the next three years to enhance the National Crime Prevention Strategy.
- \$25 million over the next five years to renew the Victims of Crime Initiative.
- \$15.6 million per year to support efforts to ensure that war criminals do not find safe haven in Canada.



Increasing the Basic Personal Amount

Budget 2005 increases the basic personal amount, i.e. the amount that Canadians can earn tax free, to \$10,000 by 2009. This will benefit all Canadians, but especially those with low and modest incomes. In fact, this measure will remove 860,000 low-income taxpayers from the tax rolls, including 240,000 seniors.

How Can I Get More Information on Budget 2005?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the speech
and hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

Phone: (613) 995-2855

Fax: (613) 996-0518

E-mail: services-distribution@fin.gc.ca

Ce document est également offert en français.

News Release

Immediate release

Ottawa, February 23, 2005
2005-014

Budget 2005: Delivering on Commitments

Minister of Finance Ralph Goodale announced today that Budget 2005 will deliver on the Government's commitments, while keeping Canada's books balanced.

Minister Goodale emphasized that the measures contained in this budget commit substantial new funding for health care, seniors, child care, national defence and the environment, while providing tax reductions and laying the groundwork for future progress in addressing the priorities of Canadians.

"Last summer, we set out an ambitious agenda for Canada's future—to maintain our unparalleled fiscal success, to invest in our people, to achieve a more productive and environmentally sustainable economy, and to bolster Canada's role in global affairs," Minister Goodale said. "This budget takes major steps to deliver on those commitments."

Among the key initiatives in this budget are:

- Implementation of the Government's commitment to provide Canada's communities with a share of federal gas excise tax revenues.
- \$5 billion over five years to the development of a new Early Learning and Child Care initiative—a key commitment in last year's Speech from the Throne.
- \$5 billion over five years to help fund new strategies to address climate change and protect Canada's natural environment.
- Increasing Guaranteed Income Supplement benefits for low-income seniors by \$2.7 billion over five years.

CANADA
DEPOSITORY

MAY 10 2007

University of Illinois
at Urbana-Champaign



Government
of Canada

Gouvernement
du Canada

Canada

- \$12.8 billion over five years (on a cash basis) to support expansion of the Canadian Armed Forces and purchase new equipment.
- \$735 million over five years to address the urgent needs of First Nations communities.
- Enhancing tax assistance for persons with disabilities and caregivers through expanded eligibility for the disability tax credit and other measures.
- Raising the amount of income that all Canadians can earn tax-free to \$10,000 by 2009.
- Eliminating the corporate surtax in 2008 and reducing the corporate income tax rate by 2 percentage points by 2010 to maintain Canada's tax rate advantage over the U.S.
- Eliminating the 30-per-cent foreign property limit on pension and registered retirement savings plan investments.
- \$3.4 billion over five years to boost Canada's international assistance, with the goal of doubling assistance from its 2001–02 level by 2010–11.

The Minister stated that the Government of Canada is forecast to post balanced budgets or better in 2004–05 and in each of the next five years, adding that the Government would continue to set aside \$3 billion in its Contingency Reserve and an additional economic prudence of \$1 billion in 2005–06, rising to \$4 billion by 2009–10. If it is not needed, the Contingency Reserve will be used to reduce Canada's debt, while the economic prudence will be used to address the priorities of Canadians.

Minister Goodale also noted that the Expenditure Review Committee of Cabinet has identified nearly \$11 billion in savings that will be achieved over the next five years. The overwhelming majority of these savings will come from improved efficiencies in government-wide activities and within departments.

Looking forward, the Minister stated that the Canadian economy will continue to face challenges caused by the much higher Canadian dollar and, over the medium term, from the U.S. current account and budget deficits, which could have a negative effect on the economy of Canada's largest trading partner. Private sector economists surveyed by the Department of Finance have estimated economic growth for Canada of 2.7 per cent for 2004. This figure rises to 2.9 per cent in 2005 and 3.1 per cent in 2006.

Further information on Budget 2005 can be obtained by visiting the Department of Finance Web site or by phoning 1 800 O-Canada (1 800 622-6232) or 1 800 465-7735 (TTY for the speech and hearing impaired).

For further information:

David Gamble
Public Affairs and Operations Division
(613) 996-8080

Pat Breton
Press Secretary
Office of the Minister of Finance
(613) 996-7861

www.fin.gc.ca

If you would like to receive automatic e-mail notification of all news releases, please visit the Department of Finance Canada Web site at http://www.fin.gc.ca/scripts/register_e.asp

